

Message Text

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PARIS FOR ENDERS AND JULIUS KATZ

FOL REPEAT EDINBURGH 150 SENT ACTION LONDON INFO SECSTATE

OSLO JUNE 30, 1975

QUOTE

UNCLAS EDINBURGH 150

E.O. 11652: N/A

TAGS: ENRG, PFOR, UK

SUBJECT: OIL NOTES FROM ALL OVER.

DURING THE PAST FORTNIGHT EDINBURGH AIRPORT HAS BEEN ALIVE WITH EXECUTIVES JETS AND TOP AMERICAN OIL EXECUTIVES WHO ARE CHECKING UP ON WHAT THEY'RE PUMPING INTO THE NORTH SEA. RAWLEIGH WARNER, MOBILE CHAIRMAN, FLEW IN TO SEE HIS 300 MILLION DOLLAR CONDEEP PLATFORM (ORIGINAL COST 150 MILLION DOLLARS) PLACED ON LOCATION AT THE BERYL FIELD, BUT HAD TO VISIT IT IN STAVANGER FROM WHICH IT WILL BE TOWED OUT IN THE NEXT FEW DAYS. BILL HAYNES, CHEVRON CHAIRMAN, WAS HERE CHECKING UP ON HIS COMPANY'S TAKE OVER OF BURMAH OPERATING RESPONSIBILITIES FOR THE DEVELOPMENT OF NINIAN. GEORGE KIRBY, PRESIDENT OF TEXAS EASTERN WHICH IS REPORTEDLY INVOLVED UNCLASSIFIED

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IN ONE QUARTER OF THE FIELDS DISCOVERED TO DATE IN THE NORTH SEA, WANTED ONLY TO PICK THE BRAINS OF TOP SCOTS. FRED HAMILTON, CHAIRMAN OF HAMILTON BROTHERS, THREW A HUGE BARBECUE FOR THOSE THAT DID THE WORK IN ABERDEEN TO PRODUCE THE FIRST OIL OFF

SCOTLAND. CONOCO EXECUTIVE VICE PRESIDENT MEYER WAS HERE TO WORK ON LINKS WITH SCOTLAND. CHEVRON, MOBILE AND TEXAS EASTERN EXECUTIVES GAVE WORKING DINNERS WITH SCOTTISH ECONOMIC AND POLITICAL LEADERS, INCLUDING BRUCE MILLAN, DEPUTY SEC. STATE SCOTLAND, AND JOHN SMITH, UNDER SEC. ENERGY. HIGHLIGHTS FOLLOW:

1. BENN: US EXECUTIVES WERE CONCERNED WITH THE SURPRISE SWAP OF BENN FOR VARLEY AND ASKED WHAT IT MEANT. THEY WERE UPSET TO LOSE A MINISTER WHO AT LEAST HAD LEARNED THE OIL ROPES AND THEY DID NOT RELISH STARTING ALL OVER AGAIN. BRITISH OFFICIALS PARROTED THE PARTY LINE THAT POLICIES WERE FIXED BEFORE BENN AND THAT PERSONALITIES WOULD NOT AFFECT SUCH POLICIES. BANKERS WERE NOT SO SURE, NOR WERE NON-LABOUR SPOKESMEN WHO REFLECTED UPON THE EFFECT OF PERSONALITY ON INDUSTRIAL MINISTRY POLICIES WHICH REPORTEDLY CONTRIBUTED TO THE SHIFT. SOME INDUSTRY FEAR WAS EXPRESSED THAT A SELF-ANNOUNCED OPPONENT OF PRIVATE ENTERPRISE AND PROTAGONIST FOR NATIONALIZED INDUSTRY SHOULD BE PUT IN CHARGE OF THE MINISTRY ON WHICH BRITAIN'S FATE AS A VIABLE ECONOMY SO MUCH DEPENDED. OILMEN APPEARED TO MAKE INSTINCTIVE GRAB FOR THEIR POCKETBOOKS AND WONDERED WHAT NEW SURPRISES MIGHT LIE IN STORE FOR THEM. THEY WERE PARTICULARLY CONCERNED WITH THE BROAD DISCRETIONARY POWERS GIVEN TO THE ENERGY SECRETARY UNDER THE RESTRICTIVE NEW PETROLEUM BILL.

2. POLICY OBJECTIVES: WHEN ASKED WHAT THREE PRIORITY OBJECTIVES THE UKG SOUGHT FROM NORTH SEA DEVELOPMENT, ONE RESPONSIBLE LABOUR SPOKESMAN LISTED 'OWNERSHIP OF THE OIL, CONTROL OF THE OIL, AND ACQUISITION OF THE KNOW-HOW.' HE REFERRED CRITICALLY TO '3 OF EVERY 4 WELLS HAVING BEEN DRILLED BY AMERICANS, AND 3 OF EVERY 4 GAS AND OIL FIELDS HAVING BEEN FOUND BY AMERICANS'. OIL REPS SWALLOWED THEIR IMMEDIATE REACTIONS WHICH WERE BASED ON A DIFFERENT OPTIC, I.E. THAT BRITAIN (A) ALREADY OWNS THE OIL ON ITS CONTINENTAL SHELF, (B) ALREADY OVERLY CONTROLS THE OIL INDUSTRY, THE BRITISH SAVIOR OF WHICH MIGHT EXPAND FASTER WITH LESS GOVERNMENT INTERFERENCE, AND (C) SHOULD ENCOURAGE AMERICAN INVESTMENT, EXPERTISE, AND OPERATIONS WHICH PLAYED SUCH A CRITICAL ROLE IN CREATING THE WEALTH WHICH BRITAIN CONSIDERED UNCLASSIFIED

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VITAL FOR SURVIVAL.

3. COMPANY PRIORITIES: IF COMPANIES HAD 'THREE WISHES', THEIR PRIORITIES WOULD BE REMOVAL OF THE PERILS OF INFLATION, NATIONALIZATION (PARTICIPATION), AND RETROACTIVE REVISION OF THE RULES OF THE GAME. IT WAS TOUGH ENOUGH TO CONTEND WITH THE HOSTILE NORTH SEA IN RISKING MONEY FOR OIL, BUT DECISIONS ON FURTHER INVESTMENT BECAME NIGHTMARISH WITHOUT KNOWING THE RULES OF THE GAME, OR, WORSE, IF THE UKG WERE TO CHANGE THE GOAL POSTS, SIZE OF FIELD, SCORING SYSTEM AND HEIGHT OF CROSS BAR DURING PLAY. ONE CHAIRMAN SAID NO COMPANY COULD OBJECT TO DEPLETION RESTRAINTS IMPOSED IN SOUND OIL RESERVOIR PRACTICE WERE VIOLATED, BUT IMPOSED RESTRAINTS IN THE PIPELINE BILL WHICH WOULD

CONTROL COMPANY PRODUCTION AND RETURNS ON INVESTMENT BY PRO-RATING PIPELINE THROUGHPUT COULD BREAK ANY COMPANY. ON INFLATION SHELL AND JUST UPPED ITS CHARGES TO OTHER PARTNERS 75 PER CENT ON A PIPELINE ALREADY UNDERWAY FROM BRENT. ON PARTICIPATION, ONE CHAIRMAN CONFESSED DISBELIEF THAT HE COULD GIVE 'VOLUNTARILY' HALF HIS SUCCESSFUL PROPERTIES WITHOUT LOSS TO HIS COMPANY, AS THE UKG ARGUED. SOME OILMEN QUESTIONED WHAT THE FOUR COMPANIES WHO HAD SO AGREED (BURMAH, DEMINEX, TRECENTRAL, AND BLACKFRIARS) HAD CONTRIBUTED TO NORTH SEA DEVELOPMENT.

4. UKG ADVICE: WHEN ONE CHAIRMAN ASKED HIS LABOUR GUEST HOW THE COMPANY COULD IMPROVE ITS PERFORMANCE, HE WAS TOLD TO DEVELOPMENT CLOSEST COMMUNICATIONS WITH SCOTS AND TO RECOGNIZE LABOR UNIONS. IN RESPONSE TO A QUESTION, BBC HEAD MICHAEL SWANN STATED THAT BBC WOULD GIVE OIL EXECUTIVES TUBE TIME TO PRESENT THEIR CASE BEFORE A CRSS SECTION OF PANELISTS. THE UNION CHALLENGE WAS NOT PURSUED. AMERICAN COMPANIES ARE RELUCTANT TO SEE DIVISIONS IN OFFSHORE RIG OPERATIONS INTRODUCED BETWEEN MANAGEMENT AND LABOR, AND HOPE THAT THE UKG WILL BE MORE SELF-INTERESTED IN ECONOMIC THAN POLITICAL GOALS AT THIS TIME. ODECO, SECOND LARGEST NORTH SEA OPERATOR SUCCESSFULLY RESISTED DURING THE WEEK UNION PRESSURES TO REINSTATE AN ASSISTANT CRANE OPERATOR WHO DAMAGED MACHINERY AND ALLEGEDLY CREATED A SAFETY THREAT. SOME THOUGHT RESISTANCE TO UNIONIZATION OF RIGS MIGHT BECOME MORE DIFFICULT AFTER OIL BEGAN FLOWING IN QUANTITY.

5. PROPAGANDA, HAMILTON EXECUTIVES EXPRESSED SOME EXASPIRATION AT THE NUMBER OF CRANK PHONE CALLS AND MESSAGES RECEIVED ON THE UNCLASSIFIED

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OCCASION ON THEIR BRINGING IN THE FIRST NORTH SEA OIL. THE MOST FREQUENTLY ASKED QUESTION BY REPORTERS WAS 'HOW MANY WORKERS HAVE BEEN KILLED?' ONE LADY WHO ASKED THE SAME QUESTION DURING THE THAMES CEREMONY WAS BLUNTLY TOLD 'LADY, NO ONE'S BEEN KILLED.' SHE LATER PROVED TO BE MRS. BENN. THE SCOTTISH NATIONAL PARTY ALSO UNLEASHED A FLOOD OF ATTACKS ON HAMILTON BROTHERS FOR NOT BRINGING THE OIL TO SCOTLAND. WHEN SNP CHAIRMAN BILLY WOLFE WAS TOLD THAT THE AMERICAN COMPANY ONLY PRODUCED THE OIL, AND THAT SNP SHOULD ADDRESS ANY COMPLAINTS TO BP (UKG PARTICIPATION) WHICH BOUGHT IT AND BROUGHT IT ASHORE, AN APOLOGY WAS PROMISED (SIC).

6. ISM VERSUS OIL: THE POLITICAL FACTOR IN THE EQUATION WAS DEMONSTRATED FOR AMERICAN OIL EXECUTIVES SEEKING TO SURVIVE IN BRITAIN WHEN AT ONE OF THEIR DINNER PARTIES THEY WERE TREATED TO THE SUCCESSIVE AND CONFLICTING VIEWS OF OIL SPOKESMEN REPRESENTING 'SOCIALISTS', 'NATIONALIST' AND 'CAPITALIST' (TO QUOTE THE MP'S PRESENT). NOR WAS IT UNOWN WHICH ONE OF THE THREE SPOKESMEN WOULD BE IN THE DRIVER'S SEAT NEXT TELLING THE COMPANIES WHAT TO DO. THE NET IMPRESSION SEEMED TO BE ONE OF GENERALLY REINFORCING THE EXISTING HESITANCY OF INDUSTRY TO SINK MORE FUNDS IN UNCOMMITTED NORTH SEA PROJECTS UNTIL A 'POLITICAL

WEATHER WINDOW' DEVELOPED. ONE EXCEPTION MIGHT BE COMPANIES LIKE HAMILTON BROTHERS WHICH WERE STARTING TO GET THEIR INVESTMENT BACK, OR THE GIANTS, SHELL, ESSO, BP, WHICH REPORTEDLY HELD OVER THREE-QUARTERS OF ESTIMATED RESERVES.

7. BNOC: CHAIRMEN WERE CONCERNED WITH THE ESTABLISHMENT OF A GOVERNMENT COMPANY WHICH WAS DESIGNED TO TAKE OVER 51 PER CENT OF THE AMERICAN AND OTHER PROPERTIES AND WHICH WAS NOT SUBJECT TO THE SAME RULES AS PRIVATE INDUSTRY, E.G., PRT.GIVEN EQUAL TREATMENT, PRIVATE INDUSTRY REPORTEDLY COULD MAKE MONEY COMPETING WITH STATE BUREAUCRACIES LIKE ERAP (FRANCE) AND ENI (ITALY) UNTIL 'GOVERNMENT SUBSIDIES FED FROM TAXES ON PRIVATE INDUSTRY AND OTHER DISCRIMATORY AND PROTECTIVE MEASURES SUCH AS EEC COUNTRIES ARE COMPLAINING ABOUT WERE INVOLVED.' THEY WONDERED WHAT THE COST WOULD BE TO THE UK TAXPAYER, WHERE THE ALREADY SHORT SUPPLY OF EXPERTISE WOULD COME FROM, AND HOW HEAVY THIS LATEST BUREAUCRATIC PIGGYBACK WOULD WEIGH ON INDUSTRIAL EFFORTS TO DEVELOP NORTH SEA OIL. 'AT LEAST THE ARABS WAITED FOR THE OIL TO COME ASHORE BEFORE THEY TOOK A PIECE OF THE COMPANIES.'

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8. TYRANT: THE IRONY OF THE NORTH SEA ALLEGEDLY WAS THAT THE TYRANT WHICH BESTRODE IT WAS THE SHETLAND COUNTY COUNCIL, A TINY GROUP OF HOME-SPUN FARMERS LED BY 'FUEHRER' IAN CLARK (SCOT) WHO HAD REPORTEDLY HORNSWAGGLED SOME OF THE BIGGEST MULTINATIONALS AND MOST SOPHISTICATED LEADERS IN BRITAIN OUT OF TERMS FOR THE DEVELOPMENT OF SULLOM VOE WHICH WOULD MAKE SCOTTISH NATIONALISTS PALE WITH ENVY. NOT ONLY HAD THESE 'AMATEURS' PUSHED A PRIVATE BILL THROUGH PARLIAMENT GIVING THEM REPORTEDLY UNPRECEDENTED AUTONOMY TO MAKE THEIR OWN CRITICAL INDUSTRIAL DECISIONS, BUT HAD FORCED THE MAJORS INTO GIVING THEM A HIGHLY PROFITABLE PARTNERSHIP FOR WHICH THEY HAD PUT UP NO FUNDS AND OVER WHICH THEY WON SIGNIFICANT CONTROL. 'THE BIGGER THEY ARE, ETC.'

FUNKHOUSER

UNQUOTE. INGERSOLL

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